

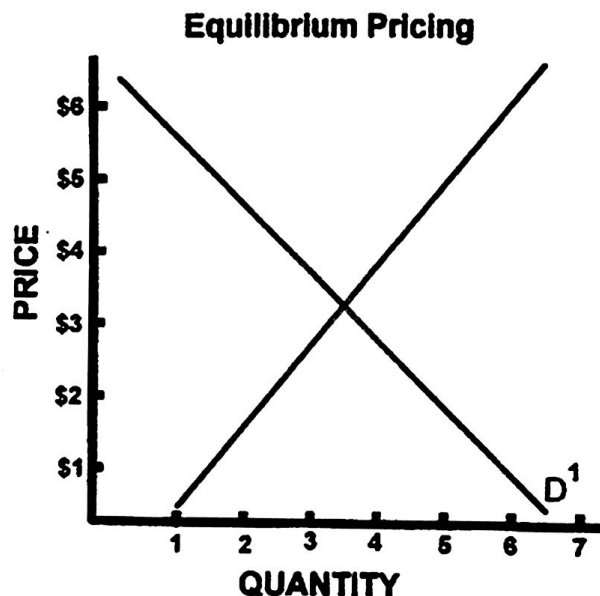
1) As developing nations industrialize and make use of capital resources, new challenges to the supply of the world's natural resources will no doubt appear because

- A) the newly developed countries will industrially overtake the existing developed countries.
- B) the rate of depletion will increase as developing countries begin to use more natural resources.
- C) more developed countries do not want developing countries to become more economically independent.
- D) the developing countries will learn to bargain with their natural resources and impact the economies of other nations.

2) Money can be easily converted into goods or services. This is an example of which "function of money"?

- A) store of value
- B) measure of value
- C) medium of exchange
- D) commodity transfer

3)



Looking at the graph, if there is an increase in income for the households in this market, what is the MOST LIKELY result?

- A) The equilibrium price will fall.
 - B) The demand curve will shift to the left.
 - C) The demand curve will shift to the right.
 - D) The supply curve will become a vertical line.
- 4) Of these choices, the BEST example of a regressive tax in the United States is
- A) corporation tax.
 - B) the state income tax.
 - C) the federal personal income tax.
 - D) the federal excise tax on gasoline.

5)

United States Combating Use of Standards as Trade Barriers

While U.S. standards concerns are not specific to just China, because American industry has demonstrated a clear interest to compete and participate in the Chinese marketplace, it is important that there is a standards

development process that is open, transparent, participatory, and fair in China. Tensions have arisen... when certain countries take restrictive action that could potentially exclude market access to U.S. businesses. In this regard, I have been asked by the Committee to address a specific example where China has caused great concern with U.S. industry in its application of domestic source requirement standards - China's pending software procurement regulation which could limit the ability of U.S. industry to sell software products and services to the Chinese government. U.S. software companies, which are widely recognized as industry leaders for their leading-edge innovation, have invested billions of dollars in China to participate directly in China's growing information technology market.

Based on Assistant Secretary Wu's testimony, the U.S. Commerce Department is MOST concerned about

- A) rising trade barriers on goods to China.
- B) rising trade barriers on goods from China.
- C) lowering trade barriers on goods to China.
- D) lowering trade barriers on goods from China.

6)

- firms produce and sell identical products
- firms have a relatively small market share
- consumers are aware of the products and their prices
- there are few barriers to entry into the market

All of these are describing what market type of market structure?

- A) monopoly
- B) oligopoly
- C) perfect competition
- D) monopolistic competition

7) The federal personal income tax is an example of which kind of tax?

- A) sales tax
- B) excise tax
- C) regressive tax
- D) progressive tax

8) Which of these is the best economic definition of "pure competition"?

- A) the market is dominated by one seller
- B) the market is dominated by a few buyers
- C) the market is dominated by two or more sellers
- D) the market is not dominated by either buyers or sellers

9) While demand is based on consumer purchases, supply is MOST LIKELY based on

- A) producers offering a wide range of prices.
- B) consumer confidence in a complementary product.
- C) the willingness of producers to supply a product.
- D) the willingness to consumers to purchase a product.

10) If OPEC decided to cut oil production for the coming year, what would be the MOST LIKELY effect?

- A) prices would not change
- B) oil prices would probably rise
- C) oil prices would probably decline
- D) the price for substitute products would decline

- 11) State governments often decide to place a "sin tax" on specific products or goods, like alcohol and tobacco. Which rationale is LEAST LIKELY to encourage governments to adopt a "sin tax"?
- A) "Sin taxes" encourage people to consume less of a good because it is illegal.
 - B) "Sin taxes" quickly raise funds through indirect taxes affecting users only.
 - C) "Sin taxes" disproportionately affects lower income groups.
 - D) "Sin taxes" generate funding for special projects.
- 12) In 2008, many United States families received a tax rebate check from the Internal Revenue Service (IRS). Why were tax rebate checks distributed?
- A) to stimulate the economy
 - B) to slow down productivity
 - C) to decrease consumer spending
 - D) to increase the federal income tax
- 13) If the federal government runs an annual budget deficit,
- A) they will have a budget surplus.
 - B) the national debt will increase.
 - C) the national debt will decrease.
 - D) they will attain a balanced budget.
- 14) Coupons, "buy-one, get-one free" deals, sales, and discounts are
- A) positive incentives encouraging people to spend money.
 - B) negative incentives encouraging people to spend money.
 - C) positive incentives discouraging people from spending money.
 - D) negative incentives discouraging people from spending money.
- 15)



According to the cartoon, who should impose a sales tax?

- A) individuals
- B) corporations
- C) state government
- D) federal government

On May 13, 2005, Benjamin Wu, the Department of Commerce's assistant secretary for technology policy delivered this testimony to the House of Representatives Committee on Government Reform.

(excerpt)

"Mr. Chairman and members of the Committee, thank you for the opportunity to address your concerns on the use of domestic source restrictions by foreign governments.

Since standards and technical regulations affect over 80 percent of global commodity trade, domestic source restrictions by foreign governments, in the form of standards as trade barriers, are a concern and have prompted the Department of Commerce to take recent action.

The Department of Commerce is committed to ensuring that standards are fair and responsive to market and technology needs, and that we partner with industry to combat standards as trade barriers to American goods and services.

While U.S. standards concerns are not specific to just China, because American industry has demonstrated a clear interest to compete and participate in the Chinese marketplace, it is important that there is a standards development process that is open, transparent, participatory, and fair in China. In 2004, China was the United States' third largest trading partner, with total merchandise trade between the two nations reaching \$231 billion. The United States exported over \$35 billion of merchandise to China, an increase of over 25 percent over the previous year.

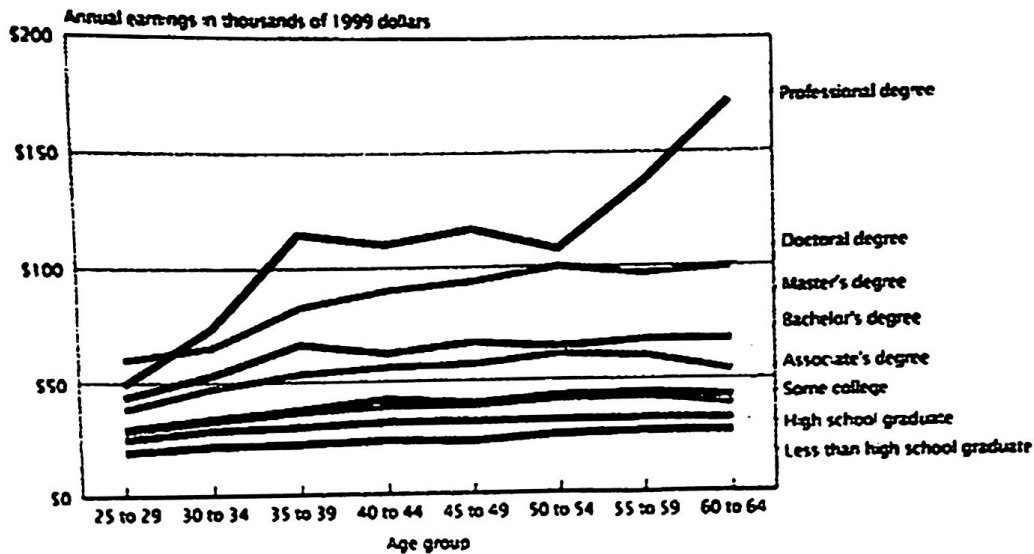
Tensions have arisen, however, when certain countries take restrictive action that could potentially exclude market access to U.S. businesses. In this regard, I have been asked by the Committee to address a specific example where China has caused great concern with U.S. industry in its application of domestic source requirement standards - China's pending software procurement regulation which could limit the ability of U.S. industry to sell software products and services to the Chinese government. U.S. software companies, which are widely recognized as industry leaders for their leading-edge innovation, have invested billions of dollars in China to participate directly in China's growing information technology market. This is especially necessary to combat and offset the perceived high rate of software piracy in China.

The U.S. Department of Commerce, along with the Department of State and Office of the U.S. Trade Representative, have been working hard to ensure that U.S. software companies continue to have access to Chinese government customers. We will continue to work vigorously to achieve this goal."

Which quote from the passage represents a specific example of a trade barrier?

- A) "China's pending software procurement regulation"
- B) "[T]he perceived high rate of software piracy in China"
- C) "China was the United States' third largest trading partner"
- D) "American industry has demonstrated a clear interest to compete...in the Chinese marketplace"

Figure 4.
Earnings Trajectories for Full-Time, Year-Round Workers by
Educational Attainment Based on 1997-1999 Work Experience



Source: U.S. Census Bureau, Current Population Surveys, March 1998, 1999, and 2000.

According to the graph,

- A) initially, all workers have relatively the same annual earnings.
 - B) workers with some college have a higher annual income than workers with a high school diploma.
 - C) workers with a high school diploma have a higher annual income than workers with advanced degrees.
 - D) at retirement, workers with a Doctoral degree earn relatively more than workers with a Professional degree.
- 18) All of the following are considered benefits of free trade EXCEPT
- A) quota reduction.
 - B) growth of trade.
 - C) protective tariff reduction.
 - D) protection of domestic industries.
- 19) Which type of insurance has a cash value that can be used in emergencies?
- A) property
 - B) term life
 - C) disability
 - D) whole life
- 20) Which of these is MOST LIKELY a result of apartment rent controls?
- A) a shortage of apartments
 - B) increased mobility of workers
 - C) decreased demand for apartments
 - D) a dramatic increase in rental rates
- 21) Entrepreneurs develop new goods and services to start a business. Why is entrepreneurship often difficult?
- A) There is a risk that the new business may fail.
 - B) There are laws that restrict most new businesses.
 - C) Motivation for profit may not be the best incentive.
 - D) Healthy competition encourages higher quality products.

- 22) The statement "the quantity demanded of a product varies inversely with its price" is a definition of
- A) laissez-faire.
 - B) the law of demand.
 - C) the invisible hand.
 - D) the law of competition.
- 23) The EU and ASEAN have a trade agreement in effect since 1980, however the EU refuses to trade with Burma/Myanmar as long as human rights are an issue in that country. This is an example of
- A) tariffs.
 - B) subsidies.
 - C) trade barriers.
 - D) most favored nation.
- 24) You are purchasing your first vehicle. The insurance company informs you that all of these factors will be considered when determining the cost of your policy EXCEPT
- A) your marital status.
 - B) your ethnicity.
 - C) your gender.
 - D) your age.
- 25) Overall levels of income, employment, and prices are determined by the spending and production decisions of all of the following EXCEPT
- A) households.
 - B) businesses.
 - C) net exports.
 - D) net imports.
- 26) The theory that the government can best stimulate the economy by helping businesses produce more is known as
- A) Marxism.
 - B) mercantilism.
 - C) Keynesian economics.
 - D) supply-side economics.
- 27) The Federal Reserve wants to increase the money supply in the United States. What is the Federal Reserve likely to do to accomplish this?
- A) reduce the discount rate
 - B) sell securities on the open market
 - C) increase the reserve requirement for banks
 - D) require banks to hold a reserve for all types of deposits
- 28) At the start of the 21st century in Britain, Germany, and Russia, the basic economic questions of what, how, and for whom to produce were answered by
- A) industrial labor unions
 - B) producers and consumers.
 - C) central planning committees.
 - D) international planning organizations.
- 29)

A Weak Dollar

by *The Columbus Dispatch*, September 7, 1999

If the price of buying a car starts rising in the United States, consumers may need to look no further than the dollar's recent slide against major foreign currencies.

On the other hand, economically depressed Midwestern farmers may find it easier to sell surplus grain

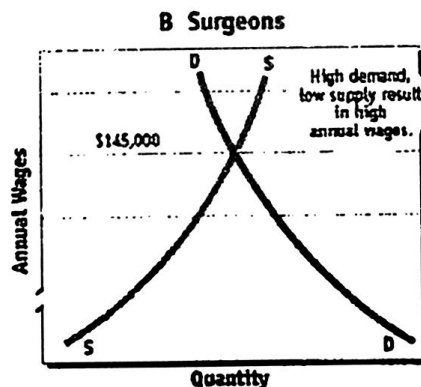
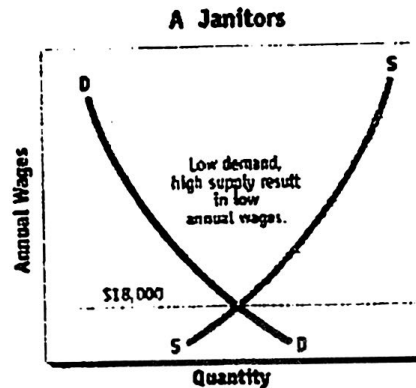
overseas if a weak dollar makes it cheaper for foreigners to buy U.S. goods.

The dollar spent much of last week on the skids, flirting with its lowest level of the year against the Japanese yen...It also has lost ground to the Euro.

According to the passage, Midwestern farmers have surplus grain to sell. This is an example of

- A) business cycle.
- B) comparable worth.
- C) infant industries.
- D) absolute advantage.

30)



Which statement about investment in education is BEST SUPPORTED using the graphs?

- A) More education leads to high demand, low supply.
- B) More education leads to low demand, high supply.
- C) The average annual wage decreases as the amount of education increases.
- D) The average annual wage increases as the amount of education decreases.

31) Before the opening of his sporting goods store, Mr. Stevens researches the types of sports equipment most likely to sell in his area. The knowledge gained in this research is an example of

- A) labor.
- B) human capital.
- C) physical capital.
- D) allocation of resources.

32) In which country would you MOST expect to find state-controlled industry, the greatest amount of restrictions on private business ownership, and the majority of the population working for the government?

- A) Brazil
- B) Canada
- C) Cuba
- D) Mexico

33) A small company is trying to determine the best use of its resources in producing two different goods. What resource should they develop to investigate these options?

- A) marginal cost curve
- B) competitive norm curve
- C) supply and demand curve
- D) production possibilities curve

34) In a business organization, the splitting of management and ownership into two distinct functions is an example of a(n)

- A) arbitrage.
- B) corporation.
- C) entrepreneur.
- D) partnership.

35)

Help Wanted Ads

Established company seeking full-time residential house cleaner. We will train. Must be honest and dependable. Call (123) 456-7890.

Suburban medical facility seeking surgeon. Board Certified required. \$1,000 signing bonus for every year of experience, up to \$15,000. Send resume to 123 Medical Drive, Suburbia, GA.

Temporary lifeguard needed to fill summer holiday shifts at outdoor swimming pool. Must have CPR and lifeguard certification. Apply in person to Bridgefront, 123 Bridgefront, Anytown, GA.

Aircraft manufacturer seeking engineers with advanced degree in physics and no less than 15 years experience. Many positions available. Send resume to 123 Aircraft Blvd., Anytown, GA.

According to the passage, which of the help-wanted positions is an example of unskilled labor?

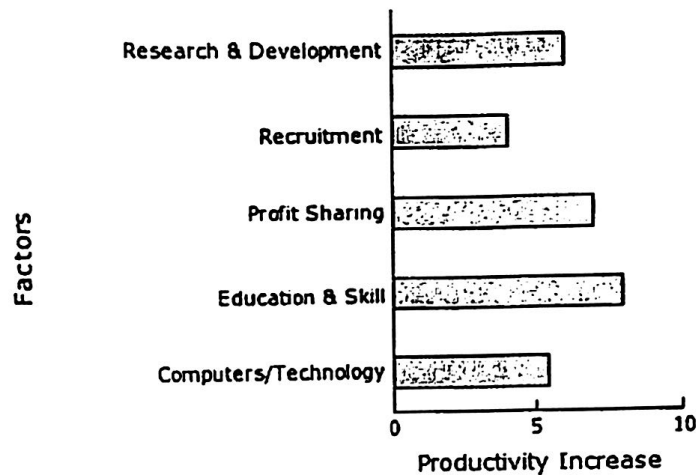
- A) surgeon
- B) engineer
- C) lifeguard
- D) house cleaner

36) The federal government decides to offset a \$50 billion decline in business spending. The government could spend \$50 billion directly on projects, or it could reduce tax rates by the same amount. Whether the action taken by the federal government is direct or indirect, the result is MOST LIKELY

- A) a lower federal deficit.
- B) a higher federal deficit.
- C) a short-term trigger of unemployment insurance.
- D) a longer period of decline in business spending.

37)

Factors that Raise Labor Productivity



According to the information from the U.S. Department of Labor, which factor has the **GREATEST** impact on raising labor productivity?

- A) research & development
 - B) education & skill
 - C) profit sharing
 - D) recruitment
- 38) Which statement reflects an accurate argument in favor of a command economy?
- A) It ensures an increase in aggregate wealth.
 - B) It maximizes the potential of a business cycle.
 - C) It serves individual needs through profit motive.
 - D) It ensures continuous use of all available resources.
- 39) Unlike balance of trade, balance of payments includes
- A) imports.
 - B) exports.
 - C) foreign investments.
 - D) foreign exchange reserves.
- 40) Which of these terms is the **BEST** synonym for the word "entrepreneur"?
- A) "business owner"
 - B) "home owner"
 - C) "employee"
 - D) "student"
- 41) When the Federal Reserve sells government securities on the open market, what effect does this action have on the nation's money supply and interest rates?
- A) Money Supply - Decreases / Interest Rates - Increase
 - B) Money Supply - Increases / Interest Rates - Increase
 - C) Money Supply - Decreases / Interest Rates - Decrease
 - D) Money Supply - Increases / Interest Rates - Decrease
- 42) The financial institution that generally charges the **LOWEST** rates on loans is a
- A) credit union.
 - B) finance company.
 - C) commercial bank.
 - D) savings and loan.

43) Ravi receives a credit card offer in the mail. The offer contains a low introductory rate. Although all of these are important factors, which of these should he investigate **FIRST** before accepting the offer?

- A) the cash advance and ATM features
- B) the APR after the introductory period expires
- C) the type of card, such as secured, regular or premium
- D) availability of special programs, such as frequent flier miles

44) Which statement **BEST** reflects the difference between tariffs and quotas?

- A) Tariffs raise prices on exports, while quotas set limits on imports.
- B) Tariffs raise prices on imports, while quotas set limits on exports.
- C) Tariffs raise prices on exports, while quotas set limits on exports.
- D) Tariffs raise prices on imports, while quotas set limits on imports.

45) A new video game is coming out in a month and you would like to have enough money to purchase it. Which of these is your **BEST** financial choice in buying the game?

- A) put money into a savings account at a bank
- B) ask about how to invest in the stock market
- C) spend more money now and buy the video game with a credit card
- D) ask the store if they will loan you the money for the video game

46)

We will create a stable, prosperous and highly competitive
ASEAN Region in which there is a free flow of goods, services
and capital, equitable economic development and reduced poverty.

-ASEAN Vision 2020, Association of Southeast Asian Nations, 1997

What **MIGHT** be the cause of the problems ASEAN is trying to address with the *Vision 2020*?

- A) economic imbalance
- B) political inequality
- C) environmental destruction
- D) lack of access to education

47) The Law of Supply states that

- A) the supply of a product is not affected by its price.
- B) when the supply of a product decreases, the price of the product falls.
- C) when the supply of a product increases, the price of the product rises.
- D) the quantity supplied of a product will increase when the price of that product increases.

48) Countries around the world specialize production, and trade with other countries based upon

- A) the overall size of the economy.
- B) the rate of inflation in the economy.
- C) the comparative advantage in production.
- D) the amount of capital available to produce products with.

49) In economics, when discussing the factors of production, the term land refers to

- A) farmland.
- B) real estate.
- C) capital goods.
- D) all natural resources.

50) Many companies sell different types of cell phones. Some consumers prefer to use a specific brand because of its different kind of features. This is an example of

- A) trusts.
- B) monopoly.
- C) pure competition.
- D) monopolistic competition.